consumer news

DEPARTMENT OF HEALTH, EDUCATION & WELFARE
Office of Consumer Affairs
Virginia H. Knauer, Director

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Warnings!

• CAN OPENERS—**Consumer Product Safety Commission** (CPSC) warns that approximately 4,500 electric can openers may have defective cutters that are potentially hazardous to consumers. Manufactured by Dazey Products Co., Kansas City, MO, the can openers may contain defective cutting blades that can create metal shavings that may drop into food & be eaten by consumers. Company is conducting a voluntary recall of the can openers to remove any hazardous products.

What to do: According to CPSC, the models involved can be identified under the names of Dazey or Sears. If you think you may have purchased a defective can opener, return it to the store where you bought it. Dazey will replace the defective cutter & return the can opener to you free of charge.

• TRANQUILIZERS—**National Council of Drug Abuse** has warned that Valium, a drug commonly prescribed for relief of anxiety, can be fatal if taken with certain other drugs, such as alcohol. According to the council, approximately 500 deaths were caused in 1974 by mixing Valium with other drugs, including alcohol. The council estimates that over 25 million Americans take Valium.

Recalls

TIRES—Firestone Tire & Rubber Co., Akron, OH, announces the recall of 8,100 tires because some may be defective & possibly hazardous. Tires being recalled are 7,900 Deluxe Champion Sup-R-Belt tires in sizes E78–14 & F78–15, bearing the following serial numbers: VBVTDDA056 & VBVTDDA066. Tires are being recalled because some may have been manufactured with the wrong fabric in the body ply(s). Firestone is also recalling 200 Steel Radial tires in size BR70–13 because they may not be completely cured & thus may result in a sudden loss of air. Radials in question bear the following serial numbers: VDYRFN8455, VDYRFN8465, VDYRFN8475, & VDYRFN8485.

What to do: If you bought one or more of these tires, contact your nearest Firestone dealer or the store where you bought your tires to make an appointment for replacement tires. The new tires will be available for an exchange no later than 2 weeks from when you contact your dealer & the tires will be replaced, balanced & mounted by Firestone at no charge to you.

For more information on the recall, contact Firestone headquarters by calling 800-321-9638 or the **National Highway Traffic Safety Administration** (NHTSA), Washington, DC 20590 (in some eastern states telephone: 800-424-0123; in Washington, DC area, call 426-0123).

Proposals could make 'bad' checks 'good' automatically

Federal Deposit Insurance Corp. (FDIC) & **Federal Reserve System** (FRS) have each proposed a regulation that would permit authorization for banks to automatically transfer funds from a consumer's savings account to his checking account to cover bad checks. FDIC & FRS, which regulate different aspects of banking, believe the proposed regulations would benefit consumers & banks by eliminating the embarrassment, paperwork & costs created by a consumer's check bouncing because of insufficient funds in his checking account.

Proposed regulations would permit written authorization for automatic transfer of funds within the same bank with these limitations:

• Transfer from savings account to checking account would have to be at least $100 or multiples of $100.
• Consumers would lose 30 days' interest on the money transferred from savings. (For example, the transfer of $100, which had been earning 5% interest in a savings account, would mean an interest loss of 92¢—compared with a bank's typical bad-check fee of $3.)

In addition to providing coverage for a consumer's occasional bad check, the proposal, in effect, would provide an "instant" loan in this manner: A consumer could deliberately write a check for more money than in his checking account, knowing that the difference would be automatically transferred from his savings account. The consumer's loss of the 30 days' interest (one-twelfth of, say, 5% annual interest rate) on his savings would be cheaper than borrowing the same amount of money at a typical 18% annual interest rate.

Proposed regulations would not cover savings & loan associations & other financial institutions that do not offer checking accounts. Also, the proposed regulations would not change existing regulations that permit a consumer's authorization for periodic draft withdrawals from his bank savings account to pay recurring bills, such as monthly mortgage payments.

For details about commenting on these proposals, see Overdraft in this issue of CONSUMER REGISTER.

. . .& could create new form of savings deposit

Federal Deposit Insurance Corp. (FDIC) has proposed a regulation to permit banks, including mutual savings banks, to offer consumers a new form of savings—a variable-rate time deposit.

Interest rates for the variable-rate deposit would rise or fall on the basis of the interest rates the Federal Government is paying on its Treasury bills. (A Treasury bill is the "personal" note the Federal Government gives when it borrows money.)

Specifically, the proposed regulation would:

• Require variable-rate deposits to be for $1000 or more.
• Require the deposit for a minimum of 2 years.
• Prohibit a bank from setting a "floor" as the minimum interest rate that will be paid that is more than 4.5%.
• Prohibit withdrawal of funds from a variable-rate deposit.
• Require a bank to fully disclose the conditions of investing in variable-rate time deposits in the contract & in all adverising.

For details about commenting on this proposal, see Variable-rate time deposits in this issue of CONSUMER REGISTER.

Cars: crashes & credit

Charging that the auto industry's system of manufacturing & selling crash parts is anticompetitive & raises prices for consumers, **Federal Trade Commission** (FTC) has issued a complaint against the largest domestic car maker, General Motors Corp., alleging that the company has intentionally kept a monopoly over its sale of crash parts for its cars & light trucks. Crash parts include fenders, bumpers, doors & grilles & are those sections of the car that are most frequently damaged in accidents.

According to the complaint, GM sells crash parts exclusively through its approximately 12,000 franchise dealers, many of whom both install parts & sell them to other repair shops. Because GM sells its replacement parts only through its dealers, over 30,000 independent body shops in the country must buy from these dealers—& usually at a higher price than competing GM dealers pay. The higher price usually is passed on to the consumer.

FTC's complaint further alleges that GM has refused to sell crash parts to its franchise dealers on equal terms & this has lessened the availability of these parts even among GM dealers. In fact, according to the complaint, dealers receive wholesale incentives on only those parts which fit the lines of new cars they are franchised to sell. This has limited many of them from wholesaling additional relevant parts—thus causing the shortage of these parts & the resulting delay in repairs for consumers.

FTC's complaint contains a proposed order that would require GM to sell crash parts to all car dealers, body shops & independent wholesalers at the same prices, terms & conditions.

In a related matter, FTC has issued complaints against the 3 largest U.S. car companies—GM, Ford Motor Co. & Chrysler Corp.—& their credit subsidiaries (finance companies owned by the car manufacturers), charging them with keeping money that belonged to consumers from the sale of repossessed cars & trucks that consumers defaulted on. According to the complaint, the companies involved did not inform consumers of the existence of surplus money gained from the sale of their repossesed cars & thus deprived numerous consumers of substantial amounts of money that was rightfully theirs. Proposed orders contained in the complaint would require that in future cases of repossession, the companies must try to obtain the best price in selling a repossessed car, notify the defaulting consumer when there is a surplus from the sale & promptly send it to the consumer.

FTC issues complaints when it has reason to believe that the law has been violated. This action marks the beginning of a formal proceeding in which the allegations will be ruled upon after a public hearing.

FTC: 'Here's looking at you'

Federal Trade Commission (FTC) has initiated several industrywide investigations all based upon one common denominator—to find out whether certain industries use practices that raise prices for consumers, limit product information or access to the market, or misrepresent their products. When completed, these separate investigations may lead to legal action in some cases or to the issuance of proposed trade regulation rules to prohibit practices that FTC believes are "unfair" to consumers.

Blue Shield

In line with its investigation of competition in the health care industry [CONSUMER NEWS: Feb. 15], FTC has begun an investigation of the National Association of Blue Shield Plans & the 71 Blue Shield Plans operating across the country. Specifically, FTC will be looking into how much doctors control the Blue Shield organizations through their membership on Blue Shield & hospital boards & whether doctors' attitudes concerning Blue Shield affect fee levels for all consumers. According to FTC, approximately 40% of the population pays for doctors' services through Blue Shield. Collectively, Blue Shield plans pay out over $3 billion a year in doctors' fees.

Real estate

FTC is investigating certain practices in the real estate industy to determine if they are anticompetitive. FTC is looking at the methods used by real estate brokers, multiple listing services & real estate boards to see if they result in improper listings for sale or if these listings add substantially to the cost of selling real estate.

Repairmen

FTC is studying the state systems for licensing appliance repairmen to determine if state laws & regulations limit the number of persons licensed to fix radios, televisions & other appliances.

Advertising

FTC is conducting an investigation of advertising codes & self-regulatory advertising review procedures to determine if they restrain the use of names of competing products when making comparative advertising claims. This investigation is not limited to the advertising industry but also includes those who make advertising policy—companies that pay for ads, that disseminate ads, the ad media & advertising industry associations.

Along with the industrywide investigation of advertising practices, FTC has also begun a proceeding to determine whether the warnings currently required on the labels of antacid products should be included in all advertising of these products. Although **Food & Drug Administration** (FDA) requires manufacturers to list certain warnings & side effects on the labels of antacids, FTC said it has reason to believe that many people do not read the labels & rely primarily on advertising for their information. Thus, they may be using products that may expose them to adverse effects.

Door-to-door

To find out whether door-to-door encyclopedia salesmen use unfair practices to sell these books, FTC has begun a major investigation of the encyclopedia industry. At the same time, FTC has ruled that Encyclopedia Britannica, Inc. has used deceptive acts in selling its reference books such as misrepresenting that consumers have been specially selected to receive an offer; & that the books will be received free or for almost no charge if customers write a letter or perform certain other tasks. FTC has issued an order requiring Britannica to attach to each customer contract a price list & to stop making deceptive claims to consumers.

Swine flu & you

On the advice of medical & scientific experts, President Ford has directed that the Federal Government pay for & take steps to produce & administer a vaccine to protect consumers against a flu strain called "swine influenza." An outbreak of this influenza was isolated among recruits training at Fort Dix, NJ, where an infection of 200 recruits caused one death. According to Federal scientists, the U.S. population under age 50 is susceptible & many over 50 could also contract the virus.

To guard against epidemic, President Ford has taken the following actions:

- He has asked Congress to appropriate $135 million for the production of a flu vaccine to innoculate everyone in this country.
- He has directed **Health, Education & Welfare Dept.** (HEW) to develop plans that will make the vaccine available to all consumers from September to November, 1976. Accordingly, HEW is working with the drug industry, the medical community & state health departments to insure that the vaccine will be administered in every locality—at public health clinics, doctors' offices, places of employment & other selected sites. Vaccine innoculation will be given to everyone, regardless of ability to pay.

Without such an immunization program, medical experts predict a possible epidemic of swine influenza. This flu strain, which had been dormant for almost 50 years in humans, was believed to be the cause of an epidemic in 1918–19 that killed an estimated 548,000 people. Although there has been no outbreak of the virus since 1930 until now, the medical community points to 3 reasons why there is a strong possibility that swine flu could become an epidemic: (1) swine flu is a very different strain from recent viruses; (2) everyone under 50 is susceptible; some people over 50 may have antibodies in their blood from exposure to the influenza which circulated in 1930 that could protect them but public health officials are still urging everyone to get vaccinated; (3) epidemics of influenza occur at approximately 10-year intervals with the last major outbreak occurring in 1968–69 when a virus struck 20% of the U.S. population.

Being vaccinated, however, will not guarantee that consumers will not contract the virus, but scientists estimate that the vaccine will be between 70% & 90% effective.

Update: travel schemes

In its continuing campaign to stop airlines from engaging in practices that are unfair to consumers [CONSUMER NEWS: Feb. 1], **Justice Dept.** took legal action against 13 airlines for allegedly making illegal rebates to travel agents & others selling Pacific flights.

In January, Justice filed suit against the companies &, as a result, they agreed to a consent order prohibiting such practices as selling tickets at special fares to persons not eligible for these fares & transporting charter passengers on regular scheduled flights at charter rates. These practices & others, according to Justice, have resulted in special payments & rebates that violate Federal law.

Justice's suit also resulted in court fines against the airlines involved. Air Siam was fined the maximum of $5,000 per count for 7 violations (total: $35,000) & Korea Airlines was given the maximum for 6 counts (total: $30,000). China Airlines, Japan Airlines, Pan American World Airways, Philippine Airlines, Flying Tiger Inc. & Northwest Airlines Inc. were all fined $3,000 for 3 violations (total: $9,000 each). Canadian Pacific Airlines, Quantas Airways, UTA Airlines, Varig & Air New Zealand drew fines of $1,500 for a single violation.

Land sales

Two Federal Government agencies have taken action to protect consumers against certain practices involving the sale of land.

Federal Trade Commission (FTC) has issued a complaint against 12 companies for allegedly using unfair methods to sell subdivided lots of undeveloped land in Colorado. FTC's complaint charges that these companies represented that the lots were good investments with no financial risks involved when, in fact, most of the lots could not be used as homesites because of the lack or unreasonable cost of the necessary utilities & the poor quality of the land. In addition, the complaint alleges that the companies failed to disclose that the future value of the land was uncertain, that the buyer would probably be unable to resell his lot at or above the purchase price & that one or more utility services may not be available.

Companies named in the complaint are Bankers Life & Casualty Co. & Estates of the World Inc., both of Chicago, IL; Southern Realty & Utilities Corp. & Hartsel Ranch Corp., of Lake Park, FL; Larwill Costilla Ranches Inc., Rio Grande Ranches of Colorado, Inc., Trustees of Colorado Properties Inc., Top of the World & Milco Associates Inc., all headquartered in Miami, FL; San Luis Valley Ranches Inc. of Alamosa CO; G-R-P Corp. of Blanca, CO; Materic Inc. of Beverly Hills, CA. If the charges stated in the complaint are found to be true, FTC may seek to get refunds for consumers who purchased this land.

Housing & Urban Development Dept. (HUD) has suspended registration for sale of lots in a New Mexico development until the property report can be updated. Without registration with HUD, a developer cannot sell land interstate.

According to HUD, the sale of lots in Pendaries Village in San Miguel County, NM, has been halted until the developer—Shastina Properties, Pasadena, CA—provides more information in the property report about the water supply & roads available. According to Federal law, a full description of most land developments larger than 50 lots must be given to prospective buyers before they make a down payment.

HUD is also continuing its crackdown on mortgage lenders who fail to submit annual financial statements to HUD & has withdrawn approval of 2 companies—General Investment Corp., Irvington, NJ, & Expressway Mortgage Co. Inc., Wichita Falls, TX—to operate as **Federal Housing Administration** (FHA) approved mortgagers. Withdrawal of approval will remain in effect until these companies can take steps required by HUD that will get them into compliance with FHA regulations.

Got any ideas?

Federal agencies charged with developing consumer education materials for use in the communities are looking for suggestions from consumers—parents, teachers & students—on what information they need & what issues are particularly important to consumers today. A special interagency task force has been set up to study how educational programs can be improved for consumers & to prepare a guide to free or inexpensive government consumer education materials. If you have any ideas on materials you find especially helpful, informative & practical for use in the classroom or by community organizations, **Office of Consumer Affairs** (OCA) asks that you send these suggestions to the Consumer Education Division, Office of Consumer Affairs, Washington, DC 20201.

S-p-r-e-a-d-i-n-g the word

• American Automobile Association (AAA) has published a new booklet called *Choosing a Driving School—A Guide for Beginning Drivers*, which includes advice for consumers who want to learn to drive. To get a copy of the booklet, contact the AAA Club in your area (AAA is listed in the white pages of the telephone book).

• CONSUMER NEWS: Feb. 15 reported Federal Bar Association's conferences on "Openness in Government." Date of the San Francisco conference has been rescheduled for May 10–11 (from April 8–9). For more details, write or call Conference Secretary, Federal Bar Association, 1815 H St. NW, Washington, DC 20006; telephone: 202-638-0252.

Banks' bankruptcy insurance

If your bank posts signs that it is insured by **Federal Deposit Insurance Corp.** (FDIC), what does this mean to you—the depositor? Basically, it means that your account is insured up to $40,000 &, if your bank goes bankrupt, FDIC will arrange for your deposits to be replaced.

But FDIC insurance has other importance for consumers. As an independent agency that regulates state chartered banks, FDIC has 3 options if any of these banks declares bankruptcy:

1. It can close the bank & pay off its customers' accounts up to the insured amount. Under this option, you will be reimbursed immediately up to $40,000 for lost deposits.

2. FDIC also can arrange for another bank to assume the failing bank's operations & accounts. Since a bank's closing may be caused by factors unrelated to general market conditions (such as mismanagement or scandal), healthy banks in the area may view the situation as perfect for their expansion. FDIC will then choose from a number of bidders.

3. If the closing of the bank leaves consumers without a bank in a needed location, FDIC can set up a Deposit Insurance National Bank. This is a temporary bank that will operate for up to 2 years—time to allow stock holders or other interested institutions to accumulate the money needed to set up a more permanent bank in its place.

Each of the processes takes 3 to 4 days.

FDIC only insures accounts against bankruptcy. It does not insure your money against theft or natural disaster. However, your accounts are probably insured against losses of this kind by a private insurance company. FDIC provides banks with a schedule of recommended coverage prepared by American Bankers Association to help them select adequate coverage. If a bank chooses not to purchase insurance—& this is rare—FDIC can buy a policy in the bank's name & charge it a fee for this service. Bank employees can tell you whether your money is insured for theft & natural disasters.

If you want to know more about FDIC insurance, these publications—*Sources of Strength; Facts in Brief, Your Insurance Deposits & Highlights of Operations*—are available by writing Information Office, Federal Deposit Insurance Corp., 550 17th St. NW, Washington, DC 20429.

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